

MINUTES

**MONTANA SENATE
58th LEGISLATURE - REGULAR SESSION**

COMMITTEE ON FINANCE AND CLAIMS

Call to Order: By **CHAIRMAN TOM ZOOK**, on April 17, 2003 at 11:46 A.M., in Room 317 Capitol.

ROLL CALL

Members Present:

Sen. Tom Zook, Chairman (R)
Sen. Bill Tash, Vice Chairman (R)
Sen. Keith Bales (R)
Sen. Gregory D. Barkus (R)
Sen. Edward Butcher (R)
Sen. John Cobb (R)
Sen. John Esp (R)
Sen. Royal Johnson (R)
Sen. Bob Keenan (R)
Sen. Rick Laible (R)
Sen. Bea McCarthy (D)
Sen. Linda Nelson (D)
Sen. Trudi Schmidt (D)
Sen. Debbie Shea (D)
Sen. Emily Stonington (D)
Sen. Joseph (Joe) Tropila (D)

Members Excused: Sen. Mike Cooney (D)
Sen. Corey Stapleton (R)
Sen. Jon Tester (D)

Members Absent: None.

Staff Present: Prudence Gildroy, Committee Secretary
Taryn Purdy, Legislative Branch

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: SB 493, 4/17/2003
Executive Action: SB 493

HEARING ON SB 493

Sponsor: SEN. BOB KEENAN, SD 38, Bigfork

Proponents: None

Opponents: None

Opening Statement by Sponsor:

SEN. BOB KEENAN, SD 38, Bigfork, opened on SB 493, which he deemed a necessary bill to implement some portions of HB 2.

Taryn Purdy, Legislative Fiscal Division, advised this is a budget balancing measure for any excess in that account to be transferred to the general fund. The Motor Vehicle Account in the Department of Justice has been collecting revenues since the beginning of the last biennium.

Proponents' Testimony: None.

Informational Witnesses:

Dean Roberts, Department of Justice, explained HB 261 was for the Motor Vehicle Information Technology project in the Department of Justice. That bill asked for \$18 million. As they spend that money, money will be accumulate that they won't use in the beginning. They won't borrow \$18 million when the project starts, it will be borrowed over a period of time. The period to pay that back is 10 years. They will probably borrow the \$18 million over two and one-half years. As that fund is gaining revenue, because of the title fee increase, there will be some money left in that fund in the beginning. This bill takes \$3.7 million out of that state special account, and puts it in the general fund at this moment in time. \$3 million of that, he couldn't speak to, but \$700,000 is to fund programming costs. A total of 52 motor vehicle bills passed this session, and there were fiscal notes. This covers everything from when a motor home can have amateur radio played to all of the DUI laws that have passed. There will be amendments to spend that \$700,000. The \$700,000 will go to the Department of Justice for programming costs, and for the 2 FTE's in HB 478, which allows drivers license suspensions for failure to comply with sentence. For all offenses that go Justice Court, if fines are not paid, licenses are suspended. The program of non pay/non appear for motor vehicle offenses has been incredibly successful. They hit a fine payment rate in the lower courts of about 65%. This is after the court has gone through it's procedure to try to collect the money. The last resort is to suspend the license. In the fiscal

note, there will be about 18,700 of these per year, with 10 minutes to process. There is also a \$100 reinstatement fee. These are revenues generated for the general fund. They are asking a particular amount of money out of that to pay for those FTE's, and will present amendments to **HB 2** on all of those. This bill, at this moment in time, just transfers that \$3.7 million out of **HB 261** and puts it in the general fund to be used as the legislature sees fit.

Opponents' Testimony: None.

Questions from Committee Members and Responses:

SEN. KEITH BALES recalled the new program was going to take \$20 million. That was not all authorized, and the department has to come back and report to the next legislative session.

Mr. Roberts advised for any money they have spent by 2005, they have to come back to the legislature to report expenses, how far along they are, etc.

SEN. BALES said the committee was told it would take all that money to do it. Now, all of a sudden, the money will be taken and put in the general fund. He wondered why it was needed when they were hearing the bill, and now it isn't.

Mr. Roberts indicated they are borrowing \$18 million from the **Board of Investments**. It is an \$18 million line of credit. If the money is not borrowed right away, the debt service isn't as great. They will still need \$18 million to do the project, and they will be struggling to do it for that price. Between now and when this project gets under way and when they borrow money, they can also use the proceeds of up to \$18 million from the \$5 increase in title fee in **HB 261**. They may not have to borrow \$18 million. There is no doubt the project will cost \$18 million. What's left on the table at this point in time, is a particular amount of money that would go to debt service that in fact they won't incur for a period of time.

SEN. BALES said that tells him they didn't need a \$5 increase; it could have been done with \$4 or \$3, and still covered the debt service. They approved \$5, and now there is this extra money.

Mr. Roberts advised he can't address that because he's not a financial person. This is what the Governor's budget office originally put together with them. There is only money on the table depending on how that money is spent. Their borrowing rate is about 4.5%. The **Board of Investments** rate is down to about 2%. This was a way the Governor's budget office thought there

was some general fund monies here to use for some other things. Otherwise, the money would stay in state special. If the interest rate went up to 7-8%, they would be in trouble down the road.

SEN. BALES recalled testimony the department needed the \$3.7 million, plus the \$18 million, in order to do the project. He asked if they were now saying they only need the \$18 million.

Mr. Roberts indicated there is actually \$22 million in that bill. Part of the money is from **HB 577**. They have not spent all of the money for that first project. They stopped the project because they did not want to go ahead with two different kinds of computer systems. That money is still available. Where the \$3.7 million actually comes from, is because of **HB 261**. That bill allocates another \$18 million, plus what they had in **HB 577** gets rolled into **HB 261**. The \$3.7 million is really coming from the \$18 million they had asked for in the finishing the title project in **HB 261**. Even though **HB 577** monies had been rolled into **HB 261**, it says \$22 million, which it correct.

SEN. BILL TASH asked if establishing the line of credit takes a 2/3 vote.

Mr. Roberts said no.

SEN. RICK LAIBLE restated the \$3.7 million is a result of the fee put in place before they actually have the obligation to borrow from the bond. They won't need the money to pay for that bond.

Mr. Roberts advised that could be part of it. They had a calculated rate with the **Board of Investments** of 4.5%. At the present time, the rate is 2.5% for borrowing money. Part of the extra comes from that. They will begin borrowing on July 1. In these two fiscal years, they only made three payments on their debt. They only make one payment in the next fiscal year, and only two in FY 05. The money is accumulating and eventually, they have to pay the debt. It also has to do with how many payments they have to make to the **Board of Investments** during this next biennium. It leaves excess money available.

SEN. LAIBLE asked if they have excess money, would it not be more prudent to keep the money ready to make those payments. He thought if this money could be used ahead of it's time, it would reduce the amount they will have to bond for later on.

Mr. Roberts said it won't reduce the amount they're borrowing. They are not bonding, they are borrowing and it's a line of credit. It could reduce the amount they would have to borrow.

SEN. LAIBLE observed if they transfer \$3.7 million of this money coming from title fees to the general fund, it is \$3.7 million more they will have to borrow once they get into the project.

Mr. Roberts said it probably wouldn't be all of that; there could be a portion of that they would have to borrow. Some of it is because of lower interest rates, and some is when they make payments to the **Board of Investments**.

SEN. ROYAL JOHNSON advised the money is needed for the ending fund balance. How it's done is immaterial. They are doing a series of things to delay payment which can be done with bonds and also arbitrage, and that is why they have extra money currently. They borrow money at 2% and loan it out at 4%. That's how they make up the difference in the situation.

SEN. LAIBLE said he hadn't heard anyone say that it was for the ending fund balance.

Closing by Sponsor:

SEN. KEENAN closed on the bill. He thanked **SEN. JOHNSON** for his close.

Motion: **SEN. JOHNSON** moved that SB 491 DO PASS.

Discussion:

SEN. BALES asked if the \$3.7 is needed to get through the rest of the year.

CHAIRMAN TOM ZOOK said the last figures he saw were \$43 million ending fund balance in the first year of the biennium, and \$45 million in the second year. They are shooting for \$50 million.

SEN. GREG BARKUS asked if that includes this money, and **CHAIRMAN ZOOK** said no. It doesn't mean the money will be spent. There is a reason the cushion is necessary.

Vote: Motion carried unanimously.

ADJOURNMENT

Adjournment: 12:06 P.M.

SEN. TOM ZOOK, Chairman

PRUDENCE GILDROY, Secretary

TZ/PG

EXHIBIT (fcs83aad)